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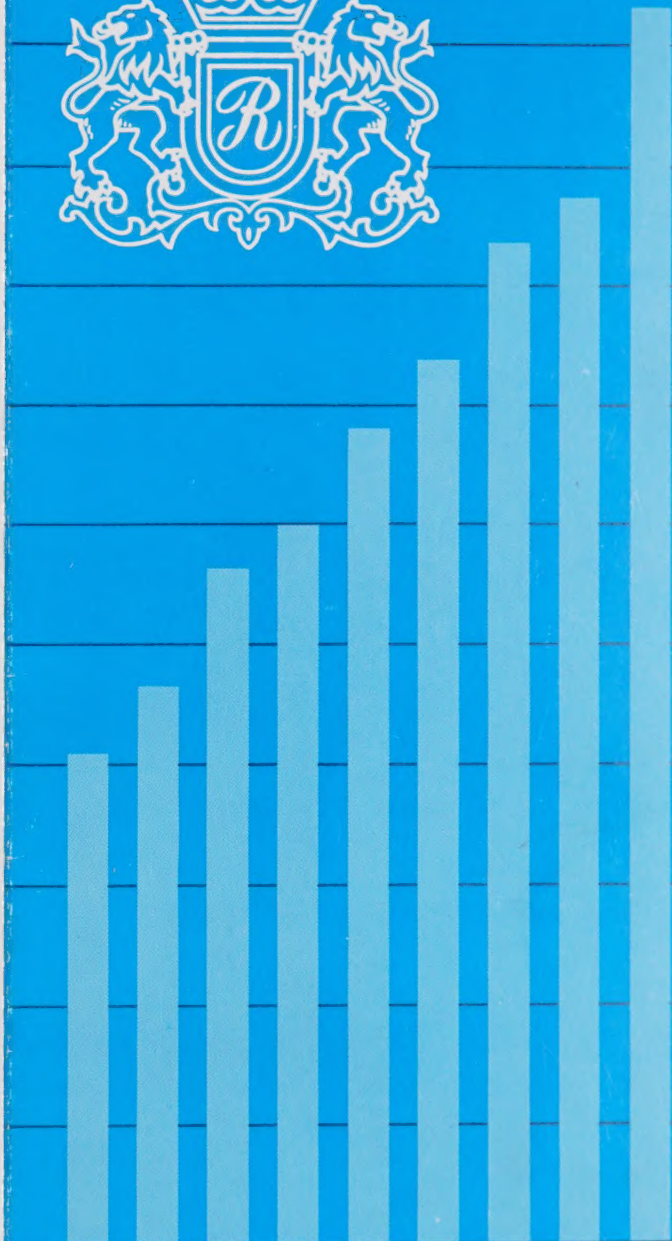
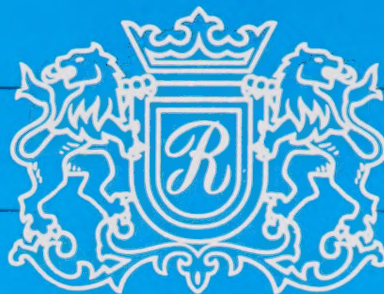


DIRECTORS

JOEL WALKDON ALDRED
SIR FRANCIS DE GUINGAND, K.B.E., C.B., D.S.O.
JOHN HERBERT DEVLIN
PAUL JACOBUS ERASMUS
HAROLD SCANLON FOLEY
CHARLES ALBERT MASSEY
FREDERICK LAWRENCE PATTERSON
RENAULT ST-LAURENT, Q.C., LL.D.
JOHN ELVIN SHAFFNER
WILMAT TENNYSON

OFFICERS

Chairman of the Board
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President
WILMAT TENNYSON
Vice President and Secretary
ROBERT HOWIE HAWKES, Q.C.
Vice President Finance and Treasurer
JACQUES LAVERDIÈRE
Vice President Production
CAMILLE DENIS
Vice President Sales
ROBERT THOMAS LLOYD
Vice President Advertising
ROY HENRY NEWTON
Vice President Creative Services
FRIEDRICK HANS LINKEN
Assistant Secretary
NORMAND ROBERT ZADRA



ROTHMANS REPORT TO SHAREHOLDERS

FOR THE SIX MONTHS ENDED DECEMBER 31, 1969

ROTHMANS OF PALL MALL CANADA LIMITED

ROTHMANS OF PALL MALL CANADA LIMITED

To Our Shareholders:

Your Company now owns 50.1% of the Common shares of Canadian Breweries Limited. An additional 134,287 shares were purchased during October and early November 1969 to bring our total holdings in that company to 10,907,487. Accordingly, the results of Canadian Breweries are included for the first time in the report for the six months ended December 31, 1969. The results from tobacco operations are, however, shown separately from those of Canadian Breweries Limited.

Certain figures for the six month period ended December 31, 1968 have been restated for comparative purposes. Earnings before taxes reflect purely tobacco operations and investment income for 1968 represents 11% of Canadian Breweries Limited's earnings available to Common shareholders.

CONSOLIDATED COMMON SHARE EARNINGS

During the six months under review, the net earnings available to Rothmans Common shareholders increased by \$96,000 or 4.2%. Net earnings per Common share increased from \$1.42 in 1968 to \$1.48 in 1969.

TOBACCO OPERATIONS

Sales and earnings for the six months ended December 31, 1969 have, once again, achieved new records. The trends experienced in the financial year ended June 30, 1969 and the first quarter ended September 30, 1969 continued.

—For the six months ended December 31, sales increased from \$102,744,000 in 1968 to \$118,171,000 in 1969; an increase of 15.0%.

—Earnings before taxes increased from \$5,049,000 in 1968 to \$7,011,000 in 1969.

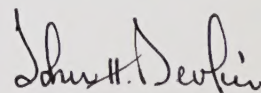
—Unit cigarette sales of your Company increased by 710 million or 12.1% during the six months ended December 31, 1969; from 5,887 million in 1968 to 6,597 million in 1969. During the same period, as reported by the Dominion Bureau of Statistics, Industry sales were 24,838 million compared to 24,774 million in 1968; an increase of 0.3%.

The coupon or premium market continues to expand at a considerable rate and is now estimated at 57% of the total market (27% at December 31, 1968). Number 7 cigarettes have been well established in this market area for some time. Sportsman cigarettes contributed a major portion of the sales gain experienced in the second quarter of this year.

BREWING OPERATIONS

The earnings of Canadian Breweries Limited have been included on the basis of the percentage of the total Common shares of that company, owned by Rothmans, as follows: July 1 to October 31, 1969—11%; November 1 to December 31, 1969—50.1%.

Due to seasonal factors, sales and earnings in the brewing industry are usually at their lowest for the quarter ending March 31. Therefore, it is anticipated that your Company's consolidated earnings for that quarter will be less than its commitment on Preferred dividends. As a result, cumulative earnings available to Common shares by March 31 are expected to be lower than the \$2,364,000 reported at December 31, 1969.



Chairman of the Board

February 26, 1970

ROTHMANS OF PALL MALL CANADA LIMITED

Consolidated Statement of Earnings

(Unaudited)

	SIX MONTHS ENDED DECEMBER 31				
	1969			1968	Increase
	<u>Tobacco</u>	<u>Brewing</u> (Note 1)	<u>Total</u>	<u>Tobacco only</u>	
Sales.....	\$118,171,000	\$59,156,000	\$177,327,000	\$102,744,000	15.0%
Earnings before income taxes.....	\$ 7,011,000	\$ 3,434,000	\$ 10,445,000	\$ 5,049,000	38.9%
Income taxes.....	3,728,000	1,600,000	5,328,000	2,677,000	39.3%
Earnings from operations before extraordinary items.....	\$ 3,283,000	\$ 1,834,000	\$ 5,117,000	\$ 2,372,000	38.4%
Extraordinary items.....	—	(105,000)	(105,000)	—	—
Earnings from operations.....	\$ 3,283,000	\$ 1,729,000	\$ 5,012,000	\$ 2,372,000	38.4%
Interest on investment loans.....			(120,000)	(816,000)	
Investment income (Note 2).....			533,000	712,000	
Minority interest in earnings of Canadian Breweries Limited....			(1,046,000)	—	
Net earnings.....			\$ 4,379,000	\$ 2,268,000	
Preferred share dividends.....			2,015,000	—	
Net earnings available for Common shares.....			\$ 2,364,000	\$ 2,268,000	
Net earnings per Common share..			\$1.48	\$1.42	

NOTES

1. The Company acquired control of Canadian Breweries Limited during November, 1969. Accordingly, brewing operations have been consolidated for November and December, 1969.
2. Investment income represents 11% of Canadian Breweries Limited's earnings available to Common shareholders for the periods July 1 to October 31, 1969, and July 1 to December 31, 1968. Results for 1968 have been restated to reflect the earnings basis, rather than the dividend basis, resulting in an increase in earnings of \$232,000 or 15¢ per share for that period.

ROTHMANS OF PALL MALL CANADA LIMITED

Consolidated Statement of Changes in Working Capital

(Unaudited)

	Six Months Ended December 31	
	1969	1968
Working capital was increased by:		
Net earnings for the period.....	\$ 4,379,000	\$ 2,268,000
Add/(deduct)		
Depreciation.....	2,011,000	859,000
Minority interest in earnings of Canadian Breweries Limited.....	1,046,000	—
Deferred taxes and other.....	(2,000)	(29,000)
Funds from operations.....	\$ 7,434,000	\$ 3,098,000
Preferred shares issued.....	96,000,000	—
	<u>\$103,434,000</u>	<u>\$ 3,098,000</u>
Working capital was decreased by:		
*Consolidation adjustment.....	\$ 53,698,000	\$ —
Fixed asset acquisitions—net.....	2,911,000	853,000
Sundry properties and investments—net.....	1,885,000	—
Dividends—Preferred shares.....	1,748,000	—
—Common shares.....	800,000	800,000
Share issue expense.....	1,735,000	—
	<u>\$ 62,777,000</u>	<u>\$ 1,653,000</u>
Increase in working capital.....	\$ 40,657,000	\$ 1,445,000
Working capital at beginning of period.....	19,312,000	15,971,000
Working capital at end of period.....	<u>\$ 59,969,000</u>	<u>\$ 17,416,000</u>

*Consolidation adjustment represents the value of net assets excluding Working Capital of Canadian Breweries Limited but including Goodwill arising on consolidation less minority interest.